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C O N F I D E N T I A L SECTION 01 OF 02 CONAKRY 000163

SIPDIS

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TAGS: [ECON](#) [EFIN](#) [PGOV](#) [PREL](#) [ASEC](#) [GV](#)
SUBJECT: CONTROLLING THE MONEY FLOW - THE BUCK STOPS WITH
DADIS

REF: CONAKRY 0156

Classified By: POL/ECON CHIEF SHANNON CAZEAU FOR REASON 1.4 B AND D

¶1. (C) SUMMARY. A discussion with a senior official at Guinea's Central Bank revealed that CNDD President Moussa Dadis Camara is controlling the country's finances with an iron fist. All non-salary expenditures must be authorized directly by Dadis, which given what we know about how the government functions at Camp Alpha Yaya, suggests that most ministerial operations have likely come to a halt. The Bank official admitted that Guinea is in a deep economic recession, but had no clear policy strategies for addressing the problem, other than waiting for international aid to materialize. He was convinced that the IMF, France, and the EU would eventually come around although he ruefully acknowledged that the USG continues to be a huge "blockage."
END SUMMARY.

¶2. (SBU) On March 12, Pol/Econ Chief met with Cheick Sylla, the 1st Vice-Governor of Guinea's Central Bank, to discuss recent developments in Bank operations. A long-time Embassy contact, Cheick has been with the Central Bank for years. He was only just recently appointed to the number two position at the Bank and had yet to move to his new office, although he was quick to hand out his newly printed business cards. Most recently, he worked as the Director of Training, a position that was perceived by many as a demotion orchestrated by former Prime Minister Kouyate. Before being moved to Training, Cheick was Director of the Office of Credit and Exchange.

GUINEA IN A RECESSION...BUT STILL ECONOMICALLY STABLE

¶3. (SBU) Cheick initially stated that Guinea's economy remains fairly healthy. "Inflation continues to go down and our currency has been relatively stable," he said. He claimed that the Guinean Government's strong fiscal policy has enabled the Bank to maintain a high degree of economic stability despite world economic pressures and internal political developments.

¶4. (C) However, later in the discussion, Cheick admitted that Guinea is in a deep recession. "There is a general economic slowdown, particularly in the informal sector," he said. Claiming that the informal sector generates as much as 60% of the country's gross domestic product, Cheick said that the government is very concerned about how to reinvigorate the economy. When asked about a possible policy strategy to address the problem, Cheick said that the Bank wants to inject cash into the market by exploring options for offering microfinance opportunities, which he felt would provide a much needed jumpstart. Pol/Econ Chief asked how the Bank

planned to finance this initiative. Cheick sheepishly responded "well...we are going to need assistance from donor partners...we don't have the money to do it ourselves." In response to further questions about economic policy, Cheick said that he could only speak for the Bank, but that other elements of the government, such as the Ministry of Finance, were likely developing other strategies.

15. (C) Pol/Econ questioned whether the CNDD and other members of the government had the technical capacity to understand the economic challenges ahead in order to develop effective strategies to address those challenges. "They understand because we are explaining it to them," Cheick replied.

THE BUCK STOPS WITH DADIS

16. (SBU) With respect to cQnt fiscal management policies, Cheick explained that the Bank is functioning exactly as it has in the past, with only one major difference, namely that the Bank now answers directly to the President of the CNDD, Moussa Dadis Camara, rather than to the Minister of Finance. He claimed that this change represented a significant improvement over past practices. "Before the coup, money was going everywhere...ministers would come with authorizations from the Minister of Finance and we would have to release funds...all of that is stopped now," he said.

17. (C) Clarifying the disbursement process, Cheick explained

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that ministries must still go through the Ministry of Finance for approval of expenditures, but that instead of only requiring the Minister's signature, such authorizations now also require Dadis' signature before funds can be released. The only exception is funds to pay salaries, which the Bank can release upon the authorization of the Minister of Finance. Pol/Econ Chief commented that such a system might be quite cumbersome given that it is often difficult to get a timely signature from Dadis. Cheick disagreed, arguing that the tight control over the government's coffers has effectively curbed corruption. Cheick said that all ministries must adhere to this new procedure, including the Ministry of Defense. When asked about the Office of the President, Cheick said "oh of course the President has a sovereign, independent account for affairs of state." He said that Dadis is the only person authorized to withdraw funds from the presidential account.

FOREIGN CURRENCY RESERVES

18. (C) When asked about foreign currency reserves, Cheick said that the latest data he had was from December, at which time, the Bank reportedly held \$86 million in reserves. He explained that the Bank usually tries to maintain approximately \$147 million in reserves, reflecting the average value of one month's worth of imports. Cheick said that the Bank was currently working on putting together the numbers for the first quarter of the year.

YOU AMERICANS ARE THE BIG BLOCKAGE

19. (C) Cheick was keen to persuade the USG to soften its policy stance towards Guinea. He repeatedly asked for help in obtaining HIPC debt relief and for financial assistance to help reinvigorate the Guinean economy. Pol/Econ Chief emphasized that the USG's policy position will not change without elections, and that the USG has absolutely zero tolerance for the military regime in place. Good naturedly, Cheick commented "you Americans are the main blockage...the

IMF wants to help us and we can get France and the EU to soften their position...but you are making things difficult for us." Pol/Econ Chief assured Cheick that without elections, the USG would not budge.

COMMENT

¶10. (C) Although Cheick was convinced that Dadis' control over the Central Bank is a good thing, the additional bureaucratic requirement has likely brought an already highly dysfunctional government to a screeching halt. Given what we know about how the government functions at Camp Alpha Yaya (reftel), simple financial decisions likely take weeks, if they get addressed at all. Cheick was clearly trying to paint a positive economic picture, but it was equally clear that he was aware that the Guinean economy is in serious trouble -- and that the Guinean Government has no real strategy in place to address the problem, other than to wait for international donor partners to come to the rescue. END COMMENT.
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